Financial results
Q4 & FY2018/19

7 May 2019

Disclaimer

The following presentation contains forward looking statements by the management of Singapore Post Limited (“SingPost”) relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

“$” means Singapore dollars unless otherwise indicated.

- FY2018/19 & Q4 Financials
- Cash flow and Balance sheet
- Segmental results
- Outlook

Overview – FY2018/19

Revenue

S$1,556.7 million

+2.9% YoY

Profit on operating activities

S$136.3 million

-7.2% YoY

Underlying net profit

S$100.1 million

-5.8% YoY
(+15.8% excluding U.S. businesses)

FY18/19 total dividend

3.5 cents per share

same as last year

Underlying net profit growth excluding U.S. businesses

FY2018/19 financial statement

S$M	FY17/18	**FY18/19**	YoY % change	
Revenue	**1,513.4**	**1,556.7**	**+2.9%**	Revenue growth in Post & Parcel and Property segments
Operating expenses	(1,373.2)	(1,424.0)	+3.7%	
Profit on operating activities	**146.9**	**136.3**	**(7.2%)**	Due to higher losses for the U.S. businesses as well as trade-related foreign exchange translation differences
Share of associated companies & JV	(3.1)	(7.1)	(127.8%)	Largely due to 4PX's losses recorded in the earlier part of the year
Exceptional items	22.3	(69.3)	N.M.	Due largely to impairment of the U.S. businesses
Income tax expense	(30.7)	(27.8)	+9.4%	
Net profit attributable to equity holders	135.5	19.0	(86.0%)	Lower profit due to exceptional items
Underlying net profit	**106.3**	**100.1**	**(5.8%)**	Up 15.8% excluding U.S. businesses

N.M. denotes Not Meaningful

FY2018/19 operating expenses

S$M	FY17/18	**FY18/19**	YoY % change
Volume-related	(816.1)	(875.2)	+7.2%
Labour & related	(328.2)	(318.9)	(2.8%)
Admin, selling-related & others	(169.8)	(172.0)	+1.3%
Depreciation & amortisation	(59.2)	(57.9)	(2.2%)
Operating expenses	**(1,373.2)**	**(1,424.0)**	**+3.7%**

Higher mail conveyance cost due to higher terminal dues. Outsourced services, which are largely incurred in the U.S. for freight purposes, rose significantly faster than revenue

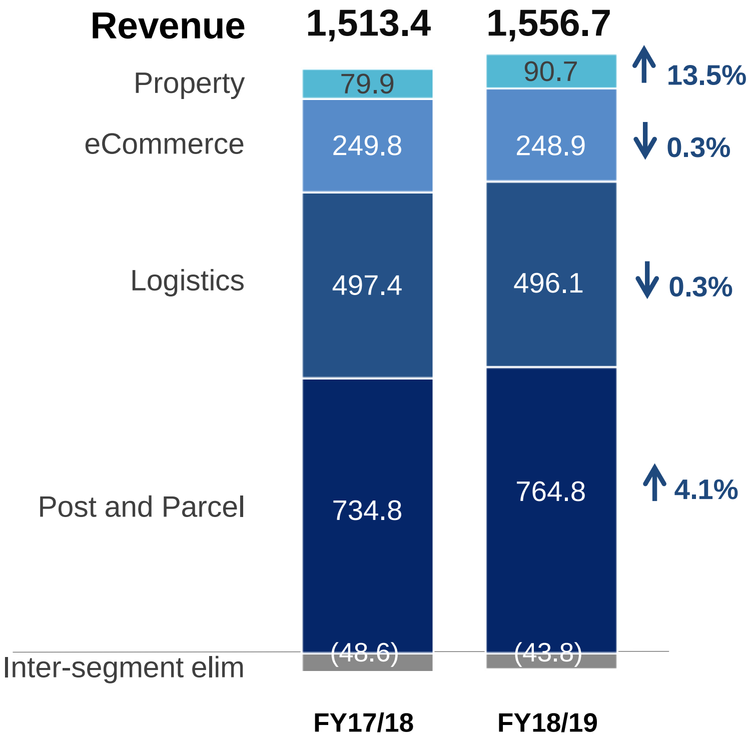
Due to cost management initiatives

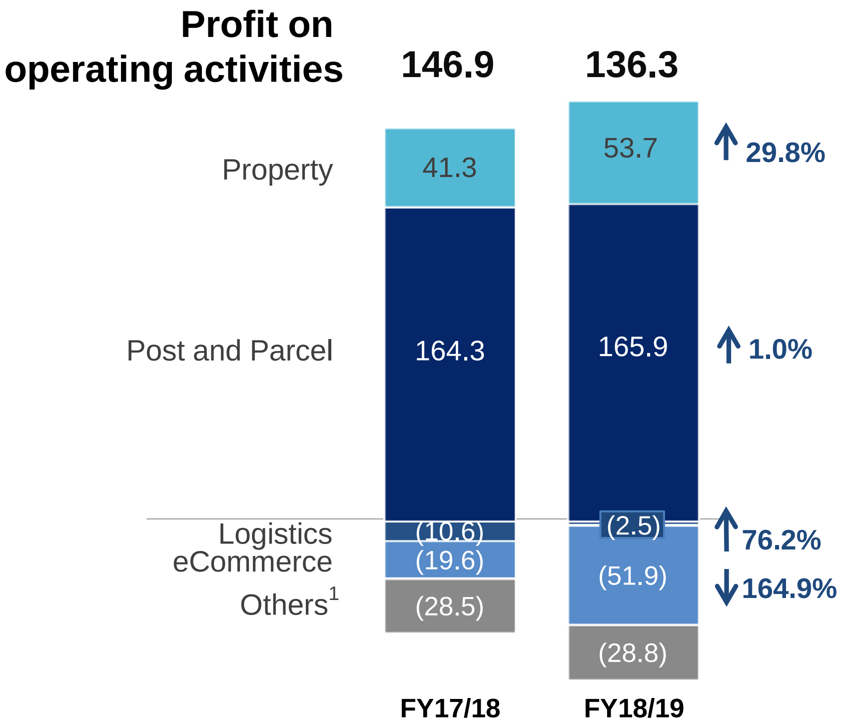
Due to higher property-related expenses from increased property activities and provisions for ongoing contractual disputes with eCommerce customers in the U.S.

Excluding volume-related expenses, operating expenses would have declined 1.5% for FY2018/19

FY2018/19 segment revenue and profit on operating activities

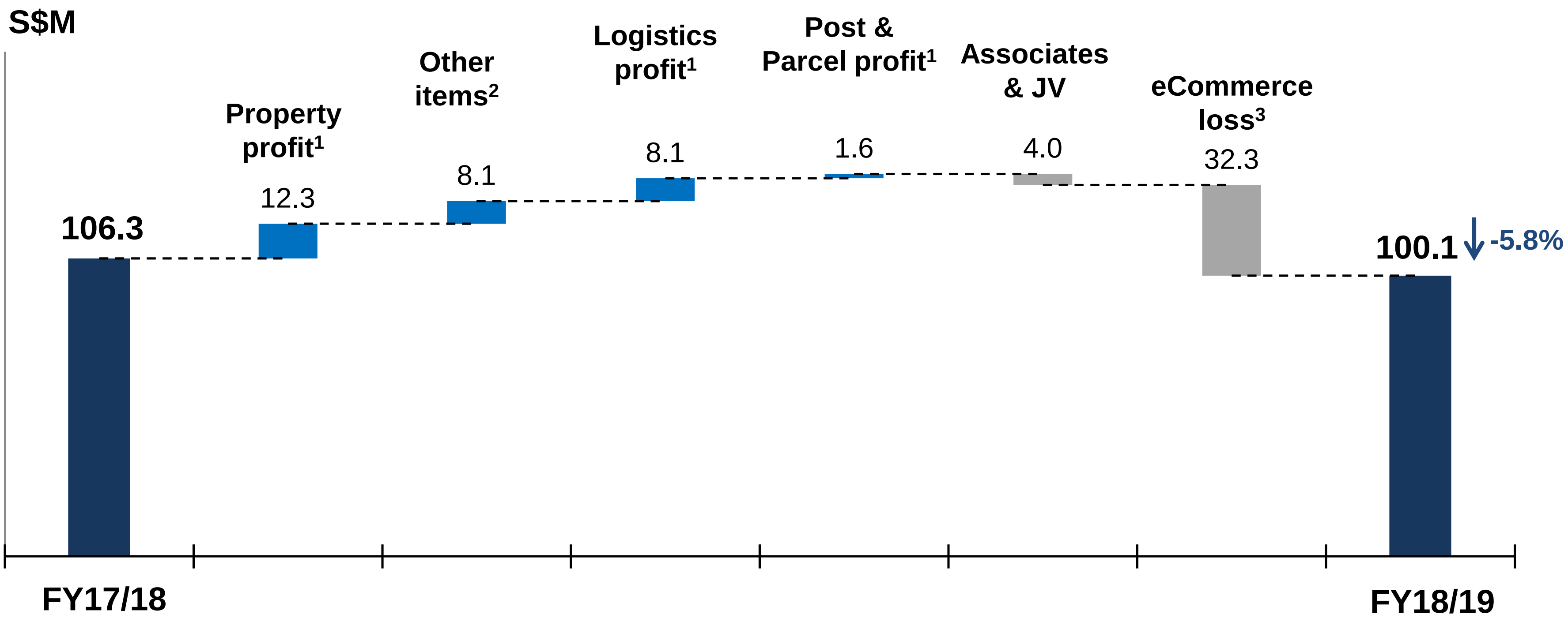
S$M





1. Refer to unallocated corporate overhead items and trade-related foreign currency translation differences.

FY2018/19 Underlying net profit movement



1. Profit on operating activities
2. Includes net finance expense, unallocated corporate overhead items, trade-related foreign currency differences, tax and non-controlling interests
3. Profit on operating activities for the eCommerce segment declined largely due to losses in the US

Impairment of TradeGlobal and Jagged Peak

Further to the announcement in the Q3 quarterly results of the risk of impairment, the Group has reviewed the carrying value of the U.S. businesses, which involved a review of historical performance and evaluation of the value-in-use for each of the businesses.

Under financial reporting standards, the value-in-use computation has been adopted for the purpose of impairment testing. This excludes any cash flows expected to arise from future restructuring not yet committed, or plans to improve or enhance the asset’s performance.

The Group has recorded a total impairment of S$98.7 million to the carrying value of TradeGlobal and Jagged Peak, comprising the balance S$67.6 million for goodwill and intangible assets, and the balance S$31.0 million for property, plant and equipment (“PPE”).

This means that the carrying value of the U.S. businesses had been substantially impaired, save for working capital that may be recoverable.

Exceptional items

Q4 FY2018/19 Exceptional loss : S$92.2 million

Comprising largely:

- Impairment for TradeGlobal and Jagged Peak: S$98.7 million
- Provision for restructuring of overseas operations: S$9.9 million

Partially offset by exceptional gains:

- Fair value gain on investment properties (SingPost Centre): S$12.1 million
- Gain on divestment of interest (Indo Trans Logistics Corporation): S$6.0 million

FY2018/19 Exceptional loss: S$69.3 million

Full year exceptional items further includes the below material items:

- Gain on dilution of interest in 4PX recorded in the third quarter of the financial year: S$42.7 million
- Fair value loss on GD Express warrants recorded over the year: S$15.5 million

Q4 FY2018/19 financial statement

S$M	Q4 FY17/18	Q4 FY18/19	YoY % change	
Revenue	**381.9**	**374.1**	**(2.1%)**	Revenue decline in Logistics and eCommerce segments
Operating expenses	(350.9)	(360.2)	+2.7%	
Profit on operating activities	**32.0**	**14.9**	**(53.4%)**	Largely due to higher losses for the U.S. businesses
Share of associated companies & JV	(6.2)	0.0	N.M.	4PX's losses recorded last year
Exceptional items	16.5	(92.2)	N.M.	Largely impairment of U.S. businesses
Income tax expense	(10.9)	2.5	N.M.	Largely due to write-back of deferred tax liability in relation to impairment of U.S. Businesses
Net profit attributable to equity holders	31.8	(75.1)	N.M.	Loss position due to exceptional items
Underlying net profit	**15.4**	**14.5**	**(6.1%)**	

N.M. denotes Not Meaningful

Q4 FY2018/19 operating expenses

S$M	Q4 FY17/18	**Q4 FY18/19**	YoY % change
Volume-related	(210.8)	(216.0)	+2.4%
Labour & related	(80.0)	(82.9)	+3.6%
Admin, selling-related & others	(44.4)	(46.7)	+5.1%
Depreciation & amortisation	(15.6)	(14.7)	(5.8%)
Operating expenses	**(350.9)**	**(360.2)**	**+2.7%**

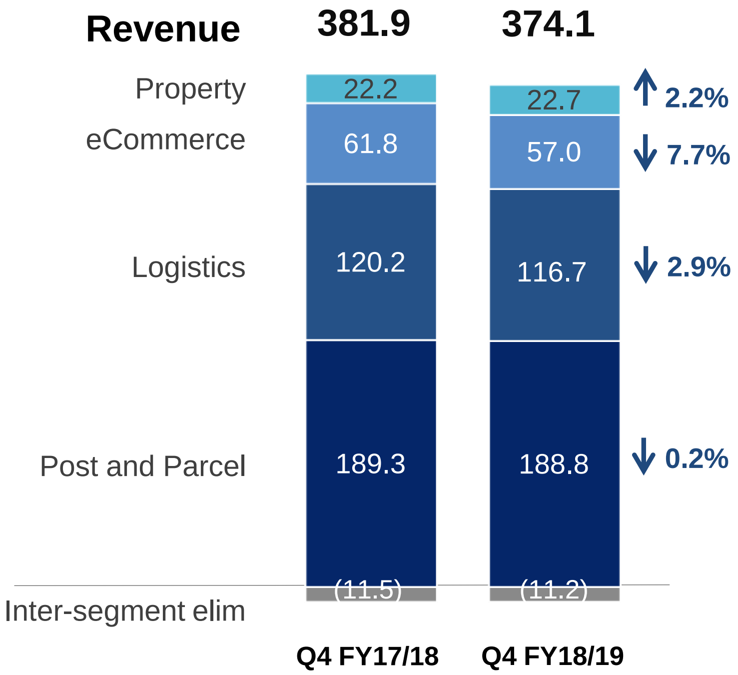
Largely due to higher outsourced expenses for the U.S. businesses

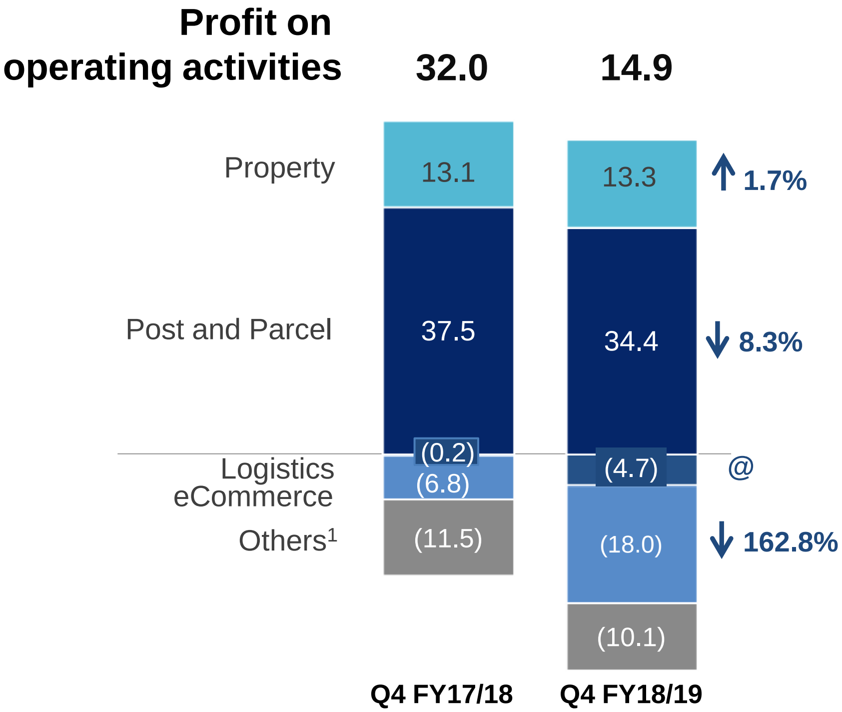
Additional postmen and increased incentive payments to improve service levels

Due to higher property-related expenses from increased property activities

Q4 FY18/19 segment revenue and profit on operating activities

S$M





1. Refer to unallocated corporate overhead items and trade-related foreign currency translation differences.
@ denotes change greater than 300%

Immediate measures to improve service quality

Increase delivery workforce

- Additional 100 postmen to join us
- 35 mail-drop drivers to become full-time postmen

Enhance remuneration

- Incentives for successful deliveries of trackable items to doorstep

Improve service levels

- Additional delivery slots on weeknights & Saturdays

- More dedicated counters & staff at post offices for parcel collection

- Reduce non-core mail businesses such as admail

Cash flow & Balance sheet

Free cash flow

S$M	FY17/18	**FY18/19**
Operating cash flow before capital charges	196.2	186.8
Changes in working capital	33.3	(3.3)
Income tax paid	(31.2)	(31.3)
Net cash provided by operating activities	198.2	152.2
Capital expenditure	(62.1)	(31.3)
Free cash flow	136.1	**120.9**

— Due to timing of payables and receivables in respect of international postal settlements largely for eCommerce deliveries

— Due largely to working capital movements

— Lower with the completion of the SingPost Centre retail mall redevelopment

Financial indicators

S$M Financial indicators	As at Mar 2018	**As at Mar 2019**
Cash & cash equivalents at end of financial period	314.1	392.2
Borrowings	244.0	290.9
Net cash / (debt) position	70.1	101.3

	FY17/18	**FY18/19**
EBITDA	225.3	117.9
Underlying EBITDA[1]	203.0	187.2
Underlying EBITDA to interest expense (times)	19.2x	18.2x

- Higher cash position largely due to cash generated from operations
- The Group switched from an intercompany loan for a foreign subsidiary, to an external loan taken by the foreign subsidiary, for better matching of currency
- Underlying EBITDA to interest cover remains strong

1. Excluding exceptional items

Segmental results

Post and Parcel

S$M Post and Parcel	FY17/18	FY18/19	YoY % change	Q4 FY17/18	Q4 FY18/19	YoY % change
Revenue	734.8	764.8	+4.1%	189.3	188.8	(0.2%)
Domestic mail & SP Parcels	*320.7*	*317.4*	*(1.0%)*	*80.4*	*77.2*	*(4.0%)*
International mail[1]	*385.3*	*421.2*	*+9.3%*	*102.4*	*105.5*	*+3.0%*
Post office pdts and svcs	*28.8*	*26.2*	*(9.2%)*	*6.5*	*6.2*	*(3.8%)*
Profit on operating activities	164.3	165.9	+1.0%	37.5	34.4	(8.3%)
Margin	22.4%	21.7%		19.8%	18.2%	

Revenue rose 4.1% for the full year, driven by strong international mail revenue growth of 9.3% with higher cross-border eCommerce-related delivery volumes. For Q4, revenue was stable as the growth in international mail revenue was offset by the decline in domestic mail revenue due to lower letter and advertisement mail volumes.

Profit on operating activities rose 1.0% for the full year as the Group benefited from increased cross-border eCommerce-related deliveries, as well as operating synergies from the integration of its domestic post and parcel divisions.

For Q4, Post & Parcel profit on operating activities declined 8.3% due to higher expenses to improve service quality, such as hiring of additional postmen and increasing incentive payments, as well as reduced non-core mail items such as ad-mail.

1. Includes cross-border eCommerce items via transhipment

Logistics

S$M Logistics	FY17/18	FY18/19	YoY % change	Q4 FY17/18	Q4 FY18/19	YoY % change
Revenue	497.4	**496.1**	**(0.3%)**	120.2	**116.7**	**(2.9%)**
Quantium Solutions	*97.7*	*91.9*	*(5.9%)*	*23.2*	*21.2*	*(8.6%)*
Couriers Please	*150.7*	*149.1*	*(1.0%)*	*36.1*	*33.4*	*(7.5%)*
Famous	*249.1*	*255.2*	*+2.4%*	*60.9*	*62.1*	*+1.9%*
Profit on operating activities	(10.6)	**(2.5)**	**+76.2%**	(0.2)	**(4.7)**	**@**
Margin	(2.1%)	**(0.5%)**		(0.2%)	**(4.0%)**	

Revenue declined 0.3% for the full year and 2.9% in Q4. Famous revenue rose with higher freight rates. This was offset by revenue decline at Quantium Solutions following an exit of unfavourable customer contracts, as well as at Couriers Please, which was impacted by the depreciation of the A$ against the S$.

Loss on operating activities narrowed from S$10.6 million to S$2.5 million for the full year, largely due to a reduction in losses at Quantium Solutions after the exit of unfavourable contracts and successful implementation of cost rationalisation.

For Q4, loss on operating activities rose to S$4.7 million from S$0.2 million last year. Famous contribution declined with a drop in overall trade activity and volumes. Profit for Couriers Please rose in A$ terms, but was impacted by the strengthening of the S$, as well as a one-time cost incurred for cost leadership program. In all, the Logistics segment incurred one-off costs of nearly S$2 million during the quarter, which also includes relocation and reinstatement costs, staff redundancy and professional fees. In the corresponding quarter last year, Logistics segment earnings was lifted some one-off items amounting to around S$1 million.

@ denotes percentage variation of more than 300%

eCommerce

S$M eCommerce	FY17/18	FY18/19	YoY % change	Q4 FY17/18	Q4 FY18/19	YoY % change
Revenue	249.8	248.9	(0.3%)	61.8	57.0	(7.7%)
Profit on operating activities	(19.6)	(51.9)	(164.9%)	(6.8)	(18.0)	(162.8%)
Margin	(7.8%)	(20.9%)		(11.1%)	(31.6%)	

Revenue declined 0.3% for the full year and 7.7% in Q4, as the Group continues to face challenges in the U.S. in the midst of intensifying competitive pressures and an increase in customer bankruptcies in the industry.

Loss on operating activities widened year-on-year to S$51.9 million for the full year and S$18.0 million in Q4.

Following a strategic review of the U.S. businesses, its prospects and additional investments required, the Group decided to put the U.S. businesses up for sale and exit the U.S. market. The Group believes its strengths and strategic competitive advantages are in Southeast Asia and Asia Pacific which provides attractive growth opportunities.

SingPost will make further announcements as appropriate on the exit.

Property

S$M

Property	FY17/18	FY18/19	YoY % change	Q4 FY17/18	Q4 FY18/19	YoY % change
Revenue	79.9	90.7	+13.5%	22.2	22.7	+2.2%
Profit on operating activities	41.3	53.7	+29.8%	13.1	13.3	+1.7%
Margin	51.7%	59.1%		58.9%	58.5%	

Property segment revenue, which comprises commercial property rental and the self-storage business, rose 13.5% for the full year and 2.2% in Q4. This was due to rental income from the SingPost Centre retail mall, which commenced operations in October 2017 after a period of redevelopment.

Profit on operating activities rose 29.8% for the full year and 1.7% for Q4 due to rental income from the SingPost Centre retail mall.

Committed occupancy for the mall was 98.9% as at 31 March 2019, compared to 95.6% a year ago.

Outlook

Outlook

The Post & Parcel business is expected to benefit from the continued growth in global eCommerce activities.

Although domestic letter mail volumes are expected to trend moderately downwards, the Group is integrating its postal and parcel delivery capabilities in Singapore to achieve operational synergies and benefits.

The Group will step up its investment to improve service quality in its home market in Singapore.

While international mail has grown due to cross-border eCommerce deliveries, transhipment competition is intense and volumes will continue to come under pressure, especially with higher terminal dues.

Meanwhile, the Property business is expected to remain stable.

The Group has commenced a sale process for its U.S. businesses under the eCommerce segment, and will make further announcements as appropriate on the exit.

The Group expects to continue to account for operating losses of the U.S. businesses until it completes an exit.

Thank You

Supplementary information

Underlying Net Profit Reconciliation Table

S$M	FY17/18	FY18/19	Q4 FY17/18	Q4 FY18/19
Profit attributable to equity holders	135.5	**19.0**	31.8	**(75.1)**
Exceptional items	(22.3)	**69.3**	(16.5)	**92.2**
Additional provision for contingent consideration in a foreign subsidiary	-	2.5	-	-
Gain on dilution of interest in an associated company	-	(42.7)	-	-
Gain on sale of an associated company	-	(6.0)	-	(6.0)
Fair value gain on investment properties	(12.7)	(12.1)	(12.7)	(12.1)
Fair value (gain) / loss on warrants from an associated company	(1.8)	15.5	3.6	(0.6)
Impairment of goodwill, intangible assets , PPE	-	100.4	-	100.4
Loss / (gain) on disposal of PPE	(2.7)	0.5	0.3	0.3
M & A related professional fees	2.3	1.1	0.8	0.3
Adoption of SFRS(I) – adjustment of PPE	(7.8)	-	(7.8)	-
Provision for the restructuring of overseas operations	0.4	9.9	(0.6)	9.9
Adjustments of deferred tax in respect of goodwill impairment and change in US tax rate	(6.9)	**(5.7)**	-	**(5.7)**
Capital gain tax on divestment of an associated company	-	**3.0**	-	**3.0**
NCI share of gain on dilution of interest in an associated company	-	**14.5**	-	**-**
Underlying Net Profit	106.3	**100.1**	15.4	**14.5**